

Dentsu Group's Growth Strategies



Changes in the Business Environment & Basic Management Policies

The Dentsu Group conducts business in a turbulent operating environment characterized by increasingly sophisticated client needs, flagging domestic ad market growth, an expanding ratio of non-mass media, accelerated overseas development among clients, and the entry of new players from digital and technology fields into the ad market.

Given these conditions, we must adopt a new growth model that facilitates effective responses to market changes and thereby ensure our survival. The three phrases which represent our strategies for success are “solutions,” “digital” and “global,” in reference to advertising solutions, the digital media domain and global operations.

We expect clients to place greater emphasis on how well the advertising industry can deliver optimum solutions to their increasingly sophisticated needs. The industry must effectively grasp the issues that clients regard as important, design responses overflowing with creativity and execute reliable implementation of such plans. The impact of digitization on media and consumers, in particular, will necessitate the provision of cross-media services, which integrate the four traditional mass media with interactive media as well as content and creative advertising expression.

In this situation we will continue to work to enhance our competitiveness in the digital domain and expand our market share. We will also aggressively invest in technology and promote business development that maximizes our inherent strengths.

Meanwhile, clients are pursuing a wider business presence in overseas markets, and we must expedite responses geared to this trend. We will therefore prioritize the expansion of our network in emerging markets, particularly the BRICs—Brazil, Russia, India and China. Integral to corporate longevity will be our ability to ensure that solutions for global application are equal in quality to those offered in Japan.

Reallocation of Business Resources

The reallocation of business resources is crucial if we are to turn these strategies into the desired results.

First, to address media diversification and the high-level needs of clients and thereby achieve corporate growth, we will apply a Groupwide perspective to personnel recruitment and development and the streamlining of back-office sections. This will ensure the optimal assignment of human resources to growth and priority domains within the Group. At the same time, we will conduct an in-depth review of attainable cost-cuts as well as obligatory costs, as we work to build a cost structure with greater flexibility.

We will also take between ¥30 billion and ¥40 billion annually from free cash flow for drivers of growth, such as the digital media domain and global operation. This will tie into efforts to strengthen client services and cultivate new sources of revenue.

Enhanced Corporate Value

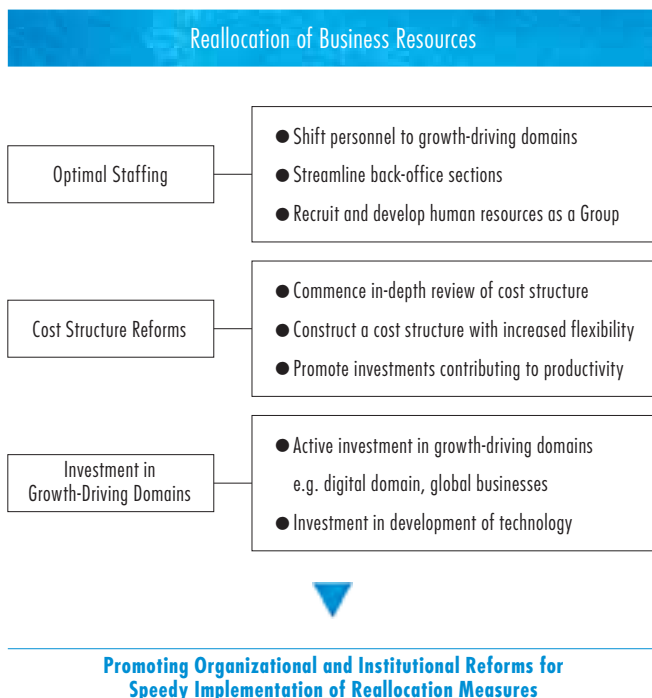
● Performance Targets

Dentsu has adhered to the three management objectives presented below, and all efforts are directed toward achieving these targets as soon as possible.

- Income growth: Annual growth of at least 5% in consolidated operating income
- Profitability: Consolidated operating margin of 20%
- Capital efficiency: Return on equity of 8%

● Fiscal 2010 Estimates based on Organic Growth

The performance estimates listed below are for the next three years and can be regarded as benchmarks in progress while the Dentsu Group transforms itself in line with its new growth model.



Organic Growth-Based Plan for Fiscal 2010

	Net Sales	Gross Profit	Operating Income	Operating Margin
Fiscal 2007 Results	¥2,057.5 billion	¥345.2 billion	¥56.1 billion	16.3%
▼				
Fiscal 2010 Plan <small>(Organic growth-based)</small>	¥2,225.0 billion	¥372 billion	¥70 billion	18% or higher
+				
Added Performance from Newly Enhanced Growth Strategies				
▼				
Early Achievement of Management Objectives				

These figures are based on organic growth and the assumption that the Japanese ad market will expand 1% to 2% annually. We anticipate digital and sales promotion, in addition to our mainstay service of mass media channels, will be the services on the Group menu that attract the most income-boosting attention. We also expect global operations to be the driving force behind further growth of the Group.

The operating climate has become increasingly challenging, but with the implementation of growth strategies and the creation of a more flexible cost structure we are confident that net sales and income will exceed projections.

Better Shareholder Returns

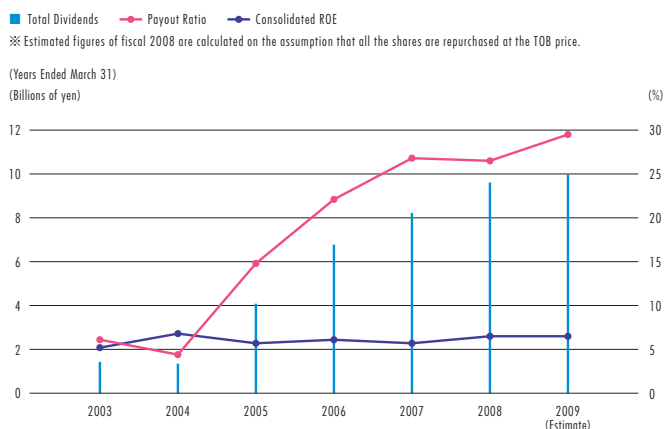
At Dentsu, return to shareholders is one of the Company's most important policies. We seek a comprehensive return policy matched to changes in the business environment, and we strive to achieve this primarily through long-term improvement in corporate value underpinned by business growth as well as stable dividends and a flexible approach to the repurchase of treasury stock.

Considering all factors, including improved capital efficiency and fiscal 2007 results as well as medium- to long-term performance estimates and cash flow status, management envisions an annual dividend of ¥4,000 per share in fiscal 2008. This would include a ¥2,000 per share interim dividend. If realized, the fiscal 2008 dividend will mark the fifth consecutive years of higher dividend increase for shareholders.

Our actions are always guided by thoughts of how we, as a leader in the communications industry, can contribute to society. With the trust and high regard of all stakeholders, we will strive to fulfill our responsibility as a member of society and as a group seeking to maximize corporate value.

Basic Policy on Increasing Shareholder Value

Total Dividends, Payout Ratio and Consolidated ROE



Proposed Dividend Increase

From ¥3,500/yr to fiscal 2008 ¥4,000/yr

Repurchase of Shares

Up to ¥60 billion

Continuing Efforts to Increase ROE

1. Solutions

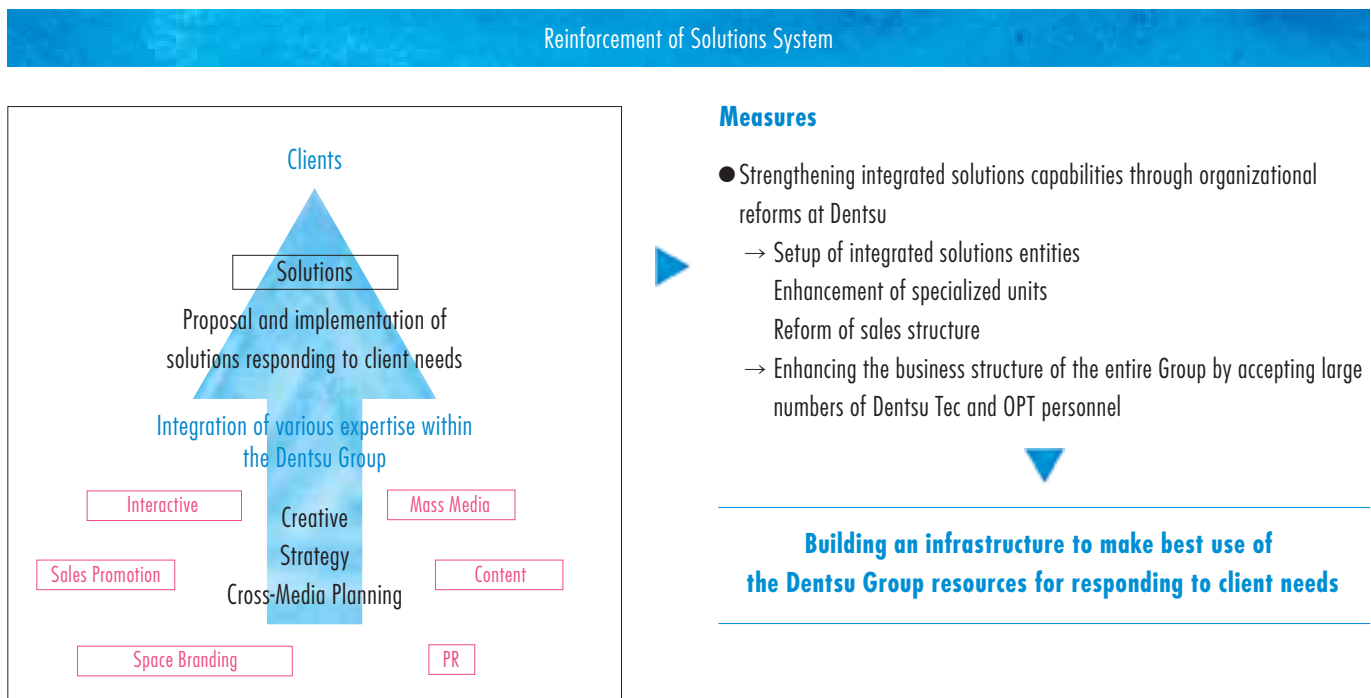
Reinforcement of Solutions System

To reinforce solutions capabilities that integrate diverse Groupwide expertise, we will first consolidate and systemize our human resources, focusing on our strengths in creative expression, strategic ideas and cross-media planning.

We also believe that upgrading certain areas of expertise and constant improvement in creative power are vital themes. In addition, we must tackle many issues, notably the development of new mass media products and sports business rights and the achievement of greater specialization in marketing services.

On the topic of marketing services, demand for sales promotion is particularly strong. To capitalize on emerging opportunities, we will establish a company that offers highly specialized services and invest further in this business. Our emphasis will underpin enhanced services and a broader presence in this domain.

Organizational reforms make alliances with Group companies much easier. Most recently, we modified our organizational structure by lowering barriers between internal entities and companies so that as a Group we can address business challenges with greater success. This invigorated structure will raise our account service capabilities and enable us to utilize synergies that translate into higher quality solutions for our clients.



Measures

- Strengthening integrated solutions capabilities through organizational reforms at Dentsu
 - Setup of integrated solutions entities
 - Enhancement of specialized units
 - Reform of sales structure
 - Enhancing the business structure of the entire Group by accepting large numbers of Dentsu Tec and OPT personnel

Building an infrastructure to make best use of the Dentsu Group resources for responding to client needs

2. Digital

Expansion in the Digital Domain

The digital domain hinges on the Internet media business, a segment with significant growth potential. At Dentsu, we are taking a multifaceted approach to expansion in this domain.

In Japan, we strengthened a capital and business alliance with OPT, Inc. in December 2007 to take advantage of the company's solid expertise as an Internet marketing specialist. In March 2008, we completed a tender offer for OPT shares.

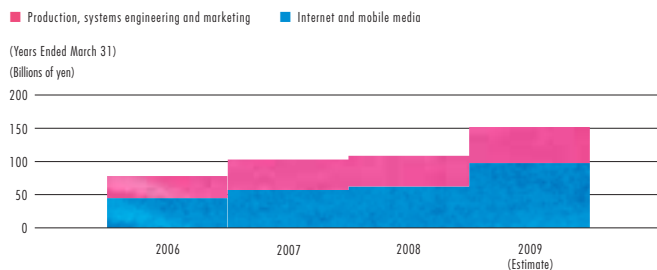
We plan to establish a cooperative structure for OPT within the Dentsu Group as an affiliate accounted for under the equity method. We anticipate favorable results from our connection to OPT through enhanced proposal-making capabilities for clients, improved development and marketing of ad space and technology, as well as superior responses to long-tail clients.

Overseas, we pursued various measures. One of the biggest developments was the January 2008 agreement with Hua Kuang Advertising Company Limited, a wholly owned subsidiary of China's Focus Media Holding Limited, to establish &c. Inc. as the cornerstone of Internet ad operations in the rapidly growing Internet ad market in China.

The realm of digital media is expanding, vertically and horizontally, as demand conditions evolve. The Dentsu Group addresses demand by creating comprehensive communication techniques that not only benefit clients but also contribute to the success of media services. These efforts will yield growth in the digital domain.

Early Achievement of 20% Market Share in Internet Media

Group Net Sales in the Digital Domain



Strategies for the Digital Domain

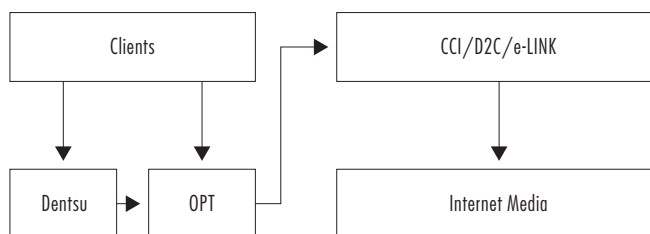
- Strengthening proposal capabilities
 - Establishment of a cooperative business structure with OPT
 - Construction of a global digital service structure
- Providing wide-range and high-quality media services
 - Branding, SEM, SEO, PDCA Management, etc.
- Increasing efforts in technology development
 - Investment in ad technology and development of human resources
 - Reinforcement of platform-based businesses such as the ad network business

Cooperative System Using Both Companies' Resources and Expertise

Outline of Capital Tie-up and Business Alliance with OPT

- Equity method affiliate with 35% stake
 - Exercise of stock acquisition rights, tender offer for common shares
 - Dispatch of two directors and one corporate auditor from Dentsu
 - Accepting a loan of 50 employees from OPT
- Purposes of capital tie-up and business alliance
 - Enhancement of service structure for Dentsu clients
 - Development and sales of ad space in Internet media
 - New development and sales of IT technology for advertising

Basic Business Flow



3. Global

Reinforcement and Expansion of our Global Base

The Dentsu Group seeks to be chosen by companies not only in Japan but also overseas to deliver optimum advertising solutions. This will be accomplished with a stronger marketing structure and a wider service menu. As a Group, we aim to expand the ratio of overseas net sales to at least 10% of the total consolidated amount as quickly as possible, and then take the value level higher, toward ¥300 billion.

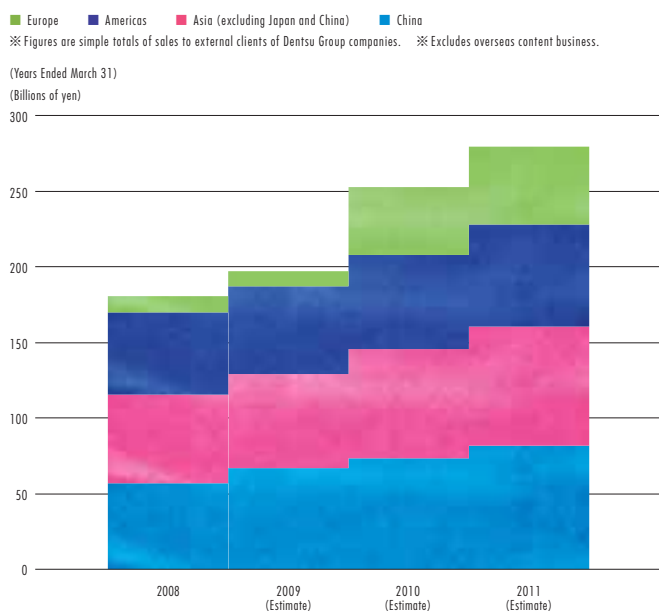
In fiscal 2007, Dentsu Holdings USA acquired creative boutiques ATTIK Inc. and ATTIK Ltd. in the United States and the United Kingdom, respectively. These companies share an excellent reputation for delivering unique ideas, and by bringing them under the Group umbrella, we have set the stage for enhanced client services in the West and a major boost in fiscal performance.

In addition, seeking to address widening globalization in the sports business, Dentsu established Dentsu Sports Europe, Ltd. in London in August 2007.

Meanwhile, in markets demonstrating outstanding economic growth, notably the BRICs and certain countries in Asia, in addition to China, as well as South America, in addition to Brazil, we have advanced the establishment of our own networks to broaden the range of our services. For example, in China we launched operations at Beijing Dianyi Advertising Co., Ltd., a mobile ad business, and formed an agreement to establish &c., an Internet ad business. We also established Dentsu Argentina S.A.

Paralleling these developments, we have been working to minimize risk, primarily by securing top local talent and further upgrading their capabilities and by reinforcing debt control in emerging countries.

Early Achievement of Overseas Sales of ¥300 billion



New Businesses and Newly Established Companies in Fiscal 2007

[Europe/U.S.]

- Acquired management rights to ATTIK (creative agency)

[China]

- Established JV, &c. (Internet ad business), with Hua Kuang Advertising (Focus Media subsidiary)
- Started operations of Beijing Dianyi Advertising (mobile ad business)

[Others]

- Established Dentsu Argentina

Strategies

- Build on networks in growing areas such as the BRICs
- Construct an integrated solutions system equal in quality to the domestic model
- Win Japanese global clients, as well as local clients
- Secure and develop local talent

Establishment of Internet Ad Agency &c. Inc.*

The Dentsu Group aims to expand an already extensive menu of services and improve its ability to provide comprehensive solutions to clients in China—a key region on the corporate map—primarily through the realignment of existing operations, the pursuit of mergers and acquisition targets, and the establishment of new companies.

A firm step in this direction was taken when the Dentsu Group’s three major advertising companies in China—Beijing Dentsu Advertising Co., Ltd., Beijing Oriental Rihai Advertising Co., Ltd., and Shanghai Oriental Partner Advertising Co., Ltd.—resolved to integrate respective Internet ad operations into a single specialist company with stronger solution capabilities and media-buying competence, followed by an agreement with Hua Kuang Advertising, a wholly owned subsidiary of China’s Focus Media, in January 2008, to establish a new company, &c. .

The new company will draw on the diverse resources of the Dentsu and Focus Media groups, including technology, databases and know-how, to increase business efficiency and raise the level of services delivered to the advertising market in China.

The joint venture is also expected to invigorate the local Internet ad market and cultivate new marketing opportunities.

*&c. Inc.

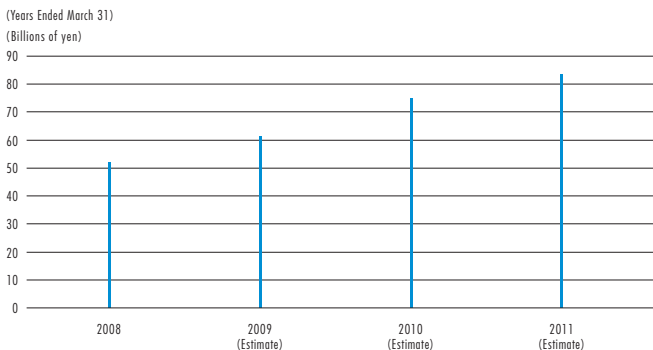
The company &c. Inc. began its operating activities in August, 2008.

The pronunciation of “&c.” is the same as that for “et cetera (etc.).”

Achievement of Sales of ¥100 billion in China

Sales in China

※ Figures are simple totals of sales of Dentsu Group companies



Strategies in China

- Enhancing a full services system including sales promotion, Internet and PR, as well as mass media
- Reinforcing solutions capabilities through network reorganization
- Strengthening specialized services in digital

Sales Rankings of Chinese Interactive Agencies (Fiscal 2006)

